

# Senate Study Bill 1199

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED AUDITOR OF  
STATE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act concerning the duties and responsibilities of the auditor  
2 of state.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 1216XD 83  
5 ec/sc/14

PAG LIN

1 1 Section 1. Section 11.1, Code 2009, is amended to read as  
1 2 follows:  
1 3 11.1 DEFINITIONS.  
1 4 1. For purposes of this chapter, unless the context  
1 5 otherwise requires:  
1 6 a. The term "department" shall be construed to mean  
1 7 "Department" means any authority charged by law with official  
1 8 responsibility for the expenditure of public money of the  
1 9 state and any agency receiving money from the general revenues  
1 10 of the state.  
1 11 b. "Examination" means procedures that are less in scope  
1 12 than an audit but which are directed toward reviewing  
1 13 financial activities and compliance with legal requirements.  
1 14 c. "Governmental subdivision" means cities and  
1 15 administrative agencies established by cities, hospitals or  
1 16 health care facilities established by a city, counties, county  
1 17 hospitals organized under chapters 347 and 347A, memorial  
1 18 hospitals organized under chapter 37, entities organized under  
1 19 chapter 28E, community colleges, area education agencies, and  
1 20 school districts.  
1 21 d. "Regents institutions" means the institutions governed  
1 22 by the board of regents under section 262.7.  
1 23 2. As used in this chapter, unless the context otherwise  
1 24 requires, "book", "list", "record", or "schedule" kept by a  
1 25 county auditor, assessor, treasurer, recorder, sheriff, or  
1 26 other county officer means the county system as defined in  
1 27 section 445.1.  
1 28 Sec. 2. Section 11.2, subsection 1, Code 2009, is amended  
1 29 to read as follows:  
1 30 1. The auditor of state shall annually, and more often if  
1 31 deemed necessary, ~~make a full settlement between audit the~~  
1 32 ~~state and all state officers and departments and all persons~~  
1 33 ~~receiving or expending state funds, and shall annually make a~~  
1 34 ~~complete audit of the books and accounts of every department~~  
1 35 ~~of the state.~~  
2 1 a. ~~Provided, except that the accounts, records, and~~  
2 2 ~~documents of the treasurer of state shall be audited daily.~~  
2 3 b. ~~Provided further, that a preliminary audit of the~~  
2 4 ~~educational institutions and the state fair board shall be~~  
2 5 ~~made periodically, at least quarterly, to check the monthly~~  
2 6 ~~reports submitted to the director of the department of~~  
2 7 ~~administrative services as required by section 8A.502,~~  
2 8 ~~subsection 9, and that a final audit of such state agencies~~  
2 9 ~~shall be made at the close of each fiscal year.~~  
2 10 Sec. 3. Section 11.2, Code 2009, is amended by adding the  
2 11 following new subsection:  
2 12 NEW SUBSECTION. 1A. Departments shall immediately notify  
2 13 the auditor of state regarding any suspected embezzlement,  
2 14 theft, or other significant financial irregularities.  
2 15 Sec. 4. Section 11.2, subsection 2, paragraphs a, b, and  
2 16 c, Code 2009, are amended to read as follows:  
2 17 a. The state board of regents shall make available to the  
2 18 auditor of state and treasurer of state the most recent annual  
2 19 report of any investment entity or investment professional

2 20 employed by an a regents institution governed by the board.  
2 21 b. All contracts or agreements with an investment entity  
2 22 or investment professional employed by ~~an a regents~~  
2 23 institution ~~governed by the state board of regents~~ shall  
2 24 require the investment entity or investment professional  
2 25 employed by ~~an a regents~~ institution ~~governed by the state~~  
2 26 ~~board of regents~~ to notify in writing the state board of  
2 27 regents within thirty days of receipt of all communication  
2 28 from an independent auditor or the auditor of state or any  
2 29 regulatory authority of the existence of a material weakness  
2 30 in internal control ~~structure~~, or regulatory orders or  
2 31 sanctions against the investment entity or investment  
2 32 professional, with regard to the type of services being  
2 33 performed under the contracts or agreements. This provision  
2 34 shall not be limited or avoided by another contractual  
2 35 provision.

3 1 c. The audit under this section shall not be certified  
3 2 until the most recent annual reports of any investment entity  
3 3 or investment professional employed by ~~an a regents~~  
3 4 institution ~~governed by the state board of regents~~ are  
3 5 reviewed by the auditor of state.

3 6 Sec. 5. Section 11.4, subsection 1, Code 2009, is amended  
3 7 to read as follows:

3 8 1. The auditor of state shall make or cause to be made and  
3 9 filed and kept in the auditor's office written reports of all  
3 10 audits and examinations, which reports shall ~~set out in detail~~  
3 11 include, if applicable, the following:

3 12 a. The ~~actual~~ financial condition of ~~such the state or~~  
3 13 department ~~found to exist on every examination~~.

3 14 b. Whether, in the auditor's opinion,  
3 15 (1) All funds have been expended for the purpose for which  
3 16 appropriated.  
3 17 (2) The department so audited ~~and or~~ examined is  
3 18 efficiently conducted, and if the maximum results for the  
3 19 money expended are obtained.  
3 20 (3) The work of the departments so audited or examined  
3 21 needlessly conflicts with or duplicates the work done by any  
3 22 other department.

3 23 c. All illegal or unbusinesslike practices.

3 24 d. Any recommendations for greater simplicity, accuracy,  
3 25 efficiency, or economy in the operation of the business of the  
3 26 several departments and institutions.

3 27 ~~e. Comparisons of prices paid and terms obtained by the~~  
3 28 ~~various departments for goods and services of like character~~  
3 29 ~~and reasons for differences therein, if any.~~

3 30 ~~f. e.~~ Any other information which, in the auditor's  
3 31 judgment, may be of value ~~to the auditor~~.

3 32 Sec. 6. Section 11.4, subsection 2, Code 2009, is amended  
3 33 by striking the subsection.

3 34 Sec. 7. Section 11.5A, Code 2009, is amended to read as  
3 35 follows:

4 1 11.5A AUDIT COSTS.  
4 2 When requested by the auditor of state, the department of  
4 3 management shall transfer from any unappropriated funds in the  
4 4 state treasury an amount not exceeding the expenses and  
4 5 prorated salary costs already paid to perform ~~examinations~~  
4 6 audits of state ~~executive departments and agencies~~, and the  
4 7 offices of the judicial branch, and federal financial  
4 8 assistance, as defined in ~~Pub. L. No. 98-502 the federal~~  
4 9 Single Audit Act, 31 U.S.C. } 7501, et seq., received by all  
4 10 other departments, as listed in section 11.5B, for which  
4 11 payments by agencies have not been made. Upon payment by the  
4 12 departments, the auditor of state shall credit the payments to  
4 13 the state treasury.

4 14 Sec. 8. Section 11.5B, unnumbered paragraph 1, Code 2009,  
4 15 is amended to read as follows:  
4 16 The auditor of state shall be reimbursed by a department or  
4 17 agency for performing audits or examinations of the following  
4 18 state departments or agencies, or funds received by a  
4 19 department or agency:

4 20 Sec. 9. Section 11.5B, subsection 13, Code 2009, is  
4 21 amended to read as follows:  
4 22 13. Federal financial assistance, as defined in ~~Pub. L.~~  
4 23 ~~No. 98-502 the federal Single Audit Act, 31 U.S.C. } 7501, et~~  
4 24 seq., received by all other departments.

4 25 Sec. 10. Section 11.5B, Code 2009, is amended by adding  
4 26 the following new subsection:  
4 27 NEW SUBSECTION. 16. Rebuild Iowa office.

4 28 Sec. 11. Section 11.6, subsection 1, paragraph a, Code  
4 29 2009, is amended to read as follows:  
4 30 a. (1) The Except for entities organized under chapter

4 31 ~~28E having gross receipts of one hundred thousand dollars or~~  
4 32 ~~less in a fiscal year, the financial condition and~~  
4 33 ~~transactions of all cities and city offices, counties, county~~  
4 34 ~~hospitals organized under chapters 347 and 347A, memorial~~  
4 35 ~~hospitals organized under chapter 37, entities organized under~~  
5 1 ~~chapter 28E having gross receipts in excess of one hundred~~  
5 2 ~~thousand dollars in a fiscal year, merged areas, area~~  
5 3 ~~education agencies, and all school offices in school~~  
5 4 ~~districts, government subdivisions shall be examined audited~~  
5 5 ~~at least once each year, except that cities having a~~  
5 6 ~~population of seven hundred or more but less than two thousand~~  
5 7 ~~shall be examined at least once every four years, and cities~~  
5 8 ~~having a population of less than seven hundred may be examined~~  
5 9 ~~as otherwise provided in this section. The examination shall~~  
5 10 ~~cover the fiscal year next preceding the year in which the~~  
5 11 ~~audit is conducted. The examination audit of school offices~~  
5 12 ~~districts shall include an audit of all school funds including~~  
5 13 ~~categorical funding provided by the state, the certified~~  
5 14 ~~annual financial report, the certified enrollment as provided~~  
5 15 ~~in section 257.6, supplementary weighting as provided in~~  
5 16 ~~section 257.11, and the revenues and expenditures of any~~  
5 17 ~~nonprofit school organization established pursuant to section~~  
5 18 ~~279.62. Differences in certified enrollment shall be reported~~  
5 19 ~~to the department of management. The examination audit of~~  
5 20 ~~school offices districts shall include at a minimum a~~  
5 21 ~~determination that the laws of the state are being followed,~~  
5 22 ~~that categorical funding is not used to supplant other funding~~  
5 23 ~~except as otherwise provided, that supplementary weighting is~~  
5 24 ~~pursuant to an eligible sharing condition, and that~~  
5 25 ~~postsecondary courses provided in accordance with section~~  
5 26 ~~257.11 and chapter 261E supplement, rather than supplant,~~  
5 27 ~~school district courses. The examination audit of a city that~~  
5 28 ~~owns or operates a municipal utility providing local exchange~~  
5 29 ~~services pursuant to chapter 476 shall include an audit~~  
5 30 ~~performing tests of the city's compliance with section 388.10.~~  
5 31 ~~The examination audit of a city that owns or operates a~~  
5 32 ~~municipal utility providing telecommunications services~~  
5 33 ~~pursuant to section 388.10 shall include an audit performing~~  
5 34 ~~tests of the city's compliance with section 388.10.~~

5 35 (2) Subject to the exceptions and requirements of  
6 1 ~~subsection subsections 2 and 3, and subsection 4, paragraph~~  
6 2 ~~"a", subparagraph (3), examinations audits shall be made as~~  
6 3 ~~determined by the governmental subdivision either by the~~  
6 4 ~~auditor of state or by certified public accountants, certified~~  
6 5 ~~in the state of Iowa, and they shall be paid from the proper~~  
6 6 ~~public funds of the governmental subdivision.~~

6 7 Sec. 12. Section 11.6, subsection 1, Code 2009, is amended  
6 8 by adding the following new paragraph after paragraph a:

6 9 NEW PARAGRAPH. aa. The financial condition and  
6 10 transactions of community mental health centers organized  
6 11 under chapter 230A, substance abuse programs organized under  
6 12 chapter 125, and community action agencies organized under  
6 13 chapter 216A, shall be audited at least once each year.

6 14 Sec. 13. Section 11.6, subsection 1, paragraph b, Code  
6 15 2009, is amended to read as follows:

6 16 b. (1) In conjunction with the audit of the governmental  
6 17 subdivision required under this section, the ~~person performing~~  
6 18 ~~the audit auditor~~ shall also perform tests for compliance with  
6 19 ~~the investment policy of a reasonable number of investment~~  
6 20 ~~transactions in relation to the total investments and quantity~~  
6 21 ~~of transactions in the period audited the governmental~~  
6 22 ~~subdivision.~~ The results of the compliance testing shall be  
6 23 reported in accordance with generally accepted auditing  
6 24 standards. The ~~person performing the audit auditor~~ may also  
6 25 make recommendations for changes to investment policy or  
6 26 practices. The governmental subdivision is responsible for  
6 27 the remedy of reported noncompliance with its policy or  
6 28 practices.

6 29 (2) (a) As part of its audit, the governmental  
6 30 subdivision is responsible for obtaining and providing to the  
6 31 ~~person performing the audit auditor~~ the audited financial  
6 32 statements and related report on internal control ~~structure~~ of  
6 33 outside persons, performing any of the following during the  
6 34 period under audit for the governmental subdivision:

6 35 (i) Investing public funds.  
7 1 (ii) Advising on the investment of public funds.  
7 2 (iii) Directing the deposit or investment of public funds.  
7 3 (iv) Acting in a fiduciary capacity for the governmental  
7 4 subdivision.  
7 5 (b) The audit under this section shall not be certified  
7 6 until all material information required by this subparagraph

7 7 is reviewed by the ~~person performing the audit auditor.~~

7 8 (3) The review by the ~~person performing the audit auditor~~  
7 9 of the most recent annual report to shareholders of an  
7 10 open-end management investment company or an unincorporated  
7 11 investment company or investment trust registered with the  
7 12 federal securities and exchange commission under the federal  
7 13 Investment Company Act of 1940, 15 U.S.C. } 80(a), pursuant to  
7 14 17 C.F.R. } 270.30d-1 or the review, by the ~~person performing~~  
7 15 ~~the audit auditor,~~ of the most recent annual report to  
7 16 shareholders, call reports, or the findings pursuant to a  
7 17 regular examination under state or federal law, to the extent  
7 18 the findings are not confidential, of a bank, savings and loan  
7 19 association, or credit union shall satisfy the review  
7 20 requirements of this paragraph.

7 21 (4) All contracts or agreements with outside persons  
7 22 performing any of the functions listed in subparagraph (2)  
7 23 shall require the outside person to notify in writing the  
7 24 governmental subdivision within thirty days of receipt of all  
7 25 communication from the ~~person performing the audit auditor~~ or  
7 26 any regulatory authority of the existence of a material  
7 27 weakness in internal control ~~structure~~, or regulatory orders  
7 28 or sanctions against the outside person, with regard to the  
7 29 type of services being performed under the contracts or  
7 30 agreements. This provision shall not be limited or avoided by  
7 31 another contractual provision.

7 32 (5) As used in this subsection, "outside person" excludes  
7 33 a bank, savings and loan association, or credit union when  
7 34 acting as an approved depository pursuant to chapter 12C.

7 35 (6) A joint investment trust organized pursuant to chapter  
8 1 28E shall file the audit reports required by this chapter with  
8 2 the administrator of the securities and regulated industries  
8 3 bureau of the insurance division of the department of commerce  
8 4 within ten days of receipt from the auditor. The auditor of a  
8 5 joint investment trust shall provide written notice to the  
8 6 administrator of the time of delivery of the reports to the  
8 7 joint investment trust.

8 8 (7) If during the course of an audit of a joint investment  
8 9 trust organized pursuant to chapter 28E, the auditor  
8 10 determines the existence of a material weakness in the  
8 11 internal control ~~structure~~ or a material violation of the  
8 12 internal control ~~structure~~, the auditor shall report the  
8 13 determination to the joint investment trust which shall notify  
8 14 the administrator in writing within twenty-four hours, and  
8 15 provide a copy of the notification to the auditor. The  
8 16 auditor shall provide, within twenty-four hours of the receipt  
8 17 of the copy of the notice, written acknowledgment of the  
8 18 receipt to the administrator. If the joint investment trust  
8 19 does not make the notification within twenty-four hours, or  
8 20 the auditor does not receive a copy of the notification within  
8 21 twenty-four hours, the auditor shall immediately notify the  
8 22 administrator in writing of the material weakness in the  
8 23 internal control ~~structure~~ or the material violation of the  
8 24 internal control ~~structure~~.

8 25 Sec. 14. Section 11.6, subsection 2, Code 2009, is amended  
8 26 to read as follows:

8 27 2. ~~a. A city, community college, school district, area~~  
8 28 ~~education agency, entity organized under chapter 28E, county,~~  
8 29 ~~county hospital, or memorial hospital governmental~~  
8 30 ~~subdivision, community mental health center, substance abuse~~  
8 31 ~~program, or community action agency desiring to contract with~~  
8 32 or employ certified public accountants shall utilize  
8 33 procedures which include a written request for proposals.

8 34 ~~b. The governing body of a city, community college, school~~  
8 35 ~~district, area education agency, entity organized under~~  
9 1 ~~chapter 28E, county, county hospital, or memorial hospital~~  
9 2 ~~utilizing the auditor of state instead of a certified public~~  
9 3 ~~accountant to perform an audit shall notify the auditor of~~  
9 4 ~~state by June 1 of the year to be audited. If the governing~~  
9 5 ~~body fails to notify the auditor of state of the decision to~~  
9 6 ~~use the auditor of state, the auditor of state may perform the~~  
9 7 ~~audit required in subsection 1 only if provisions are not made~~  
9 8 ~~by the governing body to contract for the audit.~~

9 9 Sec. 15. Section 11.6, subsection 3, Code 2009, is amended  
9 10 to read as follows:

9 11 3. A township or city for which ~~examinations audits~~ are  
9 12 not required under subsection 1 may contract with or employ  
9 13 the auditor of state or certified public accountants for an  
9 14 audit or examination of its financial transactions and  
9 15 condition of its funds. ~~A financial~~ An audit or examination  
9 16 is mandatory on application by one hundred or more taxpayers,  
9 17 or if there are fewer than five hundred taxpayers in the

9 18 township or city, then by fifteen percent of the taxpayers.  
9 19 Payment for the audit or examination shall be made from the  
9 20 proper public funds of the township or city.  
9 21 Sec. 16. Section 11.6, subsection 4, Code 2009, is amended  
9 22 to read as follows:  
9 23 4. a. In addition to the powers and duties under other  
9 24 provisions of the Code, the auditor of state may at any time  
9 25 cause to be made a complete or partial reaudit of the  
9 26 financial condition and transactions of any ~~city, county,~~  
9 27 ~~county hospital, memorial hospital, entity organized under~~  
9 28 ~~chapter 28E, merged area, area education agency, school~~  
9 29 ~~corporation, township, or other~~ governmental subdivision, or  
9 30 an office of any of ~~these~~ governmental subdivision, if ~~one~~ any  
9 31 of the following conditions exists:  
9 32 (1) The auditor of state has probable cause to believe  
9 33 such action is necessary in the public interest because of a  
9 34 material deficiency in an audit of the governmental  
9 35 subdivision filed with the auditor of state or because of a  
10 1 substantial failure of the audit to comply with the standards  
10 2 and procedures established and published by the auditor of  
10 3 state.  
10 4 (2) The auditor of state receives from an elected official  
10 5 or employee of the governmental subdivision a written request  
10 6 for a complete or partial reaudit of the governmental  
10 7 subdivision.  
10 8 (3) The auditor of state receives a petition signed by at  
10 9 least ~~fifty one hundred~~ eligible electors of the governmental  
10 10 subdivision requesting a complete or partial reaudit of the  
10 11 governmental subdivision. If the governmental subdivision has  
10 12 not contracted with or employed a certified public accountant  
10 13 to perform an audit of the fiscal year in which the petition  
10 14 is received by the auditor of state, the auditor of state may  
10 15 perform an audit required by subsection 1 or 3.  
10 16 b. The ~~state audit reaudit~~ shall be paid from the proper  
10 17 public funds available in the office of the auditor of state.  
10 18 In the event the audited governmental subdivision recovers  
10 19 damages from a person performing a previous audit due to  
10 20 negligent performance of that audit or breach of the audit  
10 21 contract, the auditor of state shall be entitled to  
10 22 reimbursement on an equitable basis for funds expended from  
10 23 any recovery made by the governmental subdivision.  
10 24 c. ~~An examination under this subsection shall include a~~  
10 25 ~~determination of whether investments by the governmental~~  
10 26 ~~subdivision are authorized by state law.~~  
10 27 Sec. 17. Section 11.6, subsection 7, Code 2009, is amended  
10 28 to read as follows:  
10 29 7. The auditor of state shall make guidelines available to  
10 30 the public setting forth accounting and auditing standards and  
10 31 procedures and audit and legal compliance programs to be  
10 32 applied in the audit or examination of the governmental  
10 33 subdivisions of the state, which shall require a review of ~~the~~  
10 34 internal control ~~structure~~ and specify testing of ~~transactions~~  
10 35 for compliance. The guidelines shall include a requirement  
11 1 that the certified public accountant and governmental  
11 2 subdivision immediately notify the auditor of state regarding  
11 3 any suspected embezzlement ~~or, theft, or other significant~~  
11 4 ~~financial irregularities.~~ The auditor of state shall also  
11 5 provide standard reporting formats for use in reporting the  
11 6 results of an examination audit of a governmental subdivision.  
11 7 Sec. 18. Section 11.6, subsection 9, Code 2009, is amended  
11 8 to read as follows:  
11 9 9. ~~The Accounts of the~~ Iowa state association of counties  
11 10 ~~shall keep accounts as required by the auditor of state.~~  
11 11 ~~These accounts, the Iowa league of cities, and the Iowa~~  
11 12 ~~association of school boards~~ shall be audited annually by  
11 13 either the auditor of state or a certified public accountant  
11 14 certified in the state of Iowa. The audit shall state all  
11 15 moneys expended for expenses incurred by and salaries paid to  
11 16 legislative representatives and lobbyists of the association  
11 17 audited.  
11 18 Sec. 19. Section 11.6, subsection 10, Code 2009, is  
11 19 amended to read as follows:  
11 20 10. The auditor of state shall adopt rules in accordance  
11 21 with chapter 17A to establish and collect a filing fee for the  
11 22 filing of each report of audit or examination conducted  
11 23 pursuant to subsections 1 through 3. The funds collected  
11 24 shall be maintained in a segregated account for use by the  
11 25 office of the auditor of state in performing ~~audits conducted~~  
11 26 ~~its duties pursuant to subsection 4 and for work paper reviews~~  
11 27 ~~conducted pursuant to subsection 5~~ this section. Any funds  
11 28 collected by the auditor pursuant to subsection 4 shall be

11 29 deposited in this account. Notwithstanding section 8.33, the  
11 30 funds in this account shall not revert at the end of any  
11 31 fiscal year.

11 32 Sec. 20. Section 11.6, Code 2009, is amended by adding the  
11 33 following new subsection:  
11 34 NEW SUBSECTION. 11. Each governmental subdivision shall  
11 35 keep its records and accounts in such form and by such methods  
12 1 as to be able to exhibit in its reports the matters required  
12 2 by the auditor of state, unless a form or method is otherwise  
12 3 specifically prescribed by law. Each governmental subdivision  
12 4 shall keep its records and accounts in current condition.  
12 5 Sec. 21. Section 11.11, Code 2009, is amended by striking  
12 6 the section and inserting in lieu thereof the following:  
12 7 11.11 SCOPE OF AUDITS.  
12 8 The written report of the audit of a governmental  
12 9 subdivision shall include the auditor's opinion about whether  
12 10 a governmental subdivision's financial statements are  
12 11 presented fairly in all material respects in conformity with  
12 12 generally accepted accounting principles or with an other  
12 13 comprehensive basis of accounting. As a part of conducting an  
12 14 audit of a governmental subdivision, an evaluation of internal  
12 15 control and tests for compliance with laws and regulations  
12 16 shall be performed.

12 17 Sec. 22. Section 11.19, unnumbered paragraphs 2, 3, and 4,  
12 18 Code 2009, are amended to read as follows:  
12 19 ~~All reports shall be open to public inspection, including~~  
~~12 20 copies on file in the office of the state auditor, and refusal~~  
~~12 21 on the part of any public official to permit such inspection~~  
~~12 22 when such reports have been filed with the state auditor,~~  
~~12 23 shall constitute a simple misdemeanor.~~  
12 24 ~~In addition to the foregoing, notice that the report has~~  
~~12 25 been filed shall be forwarded immediately to each newspaper,~~  
~~12 26 radio station or television station located in the city,~~  
~~12 27 school district or township which is under investigation or~~  
~~12 28 audit; except that if there is no newspaper, radio station or~~  
~~12 29 television station located therein, the notice shall be sent~~  
~~12 30 to the official newspapers of the county.~~  
12 31 Failure to file the report and the statement of cost with  
12 32 the auditor of state within thirty days after receiving  
12 33 notification of not receiving the audit report and the  
~~12 34 statement of cost~~ shall bar the accountant from making any  
12 35 governmental subdivision audits or examinations under section  
13 1 11.6 for the following fiscal year.

13 2 Sec. 23. Section 11.20, Code 2009, is amended to read as  
13 3 follows:  
13 4 11.20 BILLS == AUDIT AND PAYMENT.  
13 5 If the audit or examination is made by the auditor of state  
13 6 under this chapter, each auditor shall file with the auditor  
13 7 of state an itemized, certified and sworn voucher of time and  
13 8 expense for the time that the auditor is actually engaged in  
13 9 the audit or examination. The salaries shall be included in a  
13 10 two-week payroll period. Upon approval of the auditor of  
13 11 state the director of the department of administrative  
13 12 services may issue warrants for the payment of the vouchers  
13 13 and salary payments, ~~including a prorated amount for vacation~~  
~~13 14 and sick leave,~~ from any unappropriated funds in the state  
13 15 treasury. Repayment to the state shall be made as provided by  
13 16 section 11.21.

13 17 Sec. 24. Section 11.21, Code 2009, is amended to read as  
13 18 follows:  
13 19 11.21 REPAYMENT == OBJECTIONS.  
13 20 1. Upon payment by the state of the salary and expenses,  
13 21 the auditor of state shall file with the warrant-issuing  
13 22 officer of the county, municipality or school, governmental  
~~13 23 subdivision whose offices were audited or examined, a sworn~~  
13 24 statement consisting of the itemized expenses paid and  
13 25 prorated salary costs paid under section 11.20. Upon audit  
~~13 26 and approval by the board of supervisors, council or school~~  
~~13 27 board, the warrant-issuing officer shall draw a warrant for~~  
~~13 28 the amount on the county, or on the general fund of the~~  
~~13 29 municipality or school in favor of the auditor of state, which~~  
~~13 30 warrant shall be placed to the credit of the general fund of~~  
~~13 31 the state governing body of the governmental subdivision.~~  
13 32 payment shall be made from the proper public funds of the  
13 33 governmental subdivision. In the event of the disapproval by  
13 34 the governing body of the governmental subdivision of any  
13 35 items of said included on the statement by the county,  
~~14 1 municipality, or school authorities, written objections shall~~  
14 2 be filed with the auditor of state within thirty days from the  
14 3 filing thereof of the sworn statement with the warrant-issuing  
14 4 officer of the governmental subdivision. Disapproved items of

14 5 the statement shall be paid the auditor of state upon  
14 6 receiving final decisions emanating from public hearing  
14 7 established by the auditor of state.  
14 8 ~~2. Whenever the county board of supervisors, the school~~  
~~14 9 board, or the council shall file governing body of the~~  
~~14 10 governmental subdivision files written objections on the~~  
14 11 question of compensation and expenses with the auditor of  
14 12 state, the auditor or the auditor's representative shall hold  
14 13 a public hearing in the municipality governmental subdivision  
14 14 where the audit or examination was made and shall give the  
14 15 complaining board notice of the time and place of hearing.  
14 16 After such hearing the auditor shall have the power to reduce  
14 17 the compensation and expenses of the auditor whose bills have  
14 18 been questioned. ~~Any auditor who shall be found guilty of~~  
~~14 19 falsifying an expense voucher or engagement report shall be~~  
~~14 20 immediately discharged by the auditor of state and shall not~~  
~~14 21 be eligible for re-employment. Such auditor must thereupon~~  
~~14 22 reimburse the auditor of state for all such compensation and~~  
~~14 23 expenses so found to have been overpaid and in the event of~~  
~~14 24 failure to do so, the auditor of state may collect the same~~  
~~14 25 amount from the auditor's surety by suit, if necessary.~~

14 26 Sec. 25. Section 11.32, Code 2009, is amended to read as  
14 27 follows:

14 28 11.32 CERTIFIED ACCOUNTANTS EMPLOYED.

14 29 Nothing in this chapter ~~will~~ shall prohibit the auditor of  
14 30 state, with the prior written permission of the state  
14 31 executive council, from employing certified public accountants  
14 32 ~~or registered public accountants~~ for specific assignments.  
14 33 ~~Under the provision of this section, the~~ The auditor of state  
14 34 may employ such accountants for any assignment now expressly  
14 35 reserved to the auditor of state. Payments, after approval by  
15 1 the executive council, will be made to the accountants so  
15 2 employed from funds from which the auditor of state would have  
15 3 been paid had the auditor of state performed the assignment,  
15 4 or if no such specific funds are indicated, then payment will  
15 5 be made from the funds of the executive council.

15 6 Sec. 26. Section 11.41, Code 2009, is amended by adding  
15 7 the following new subsection:

15 8 NEW SUBSECTION. 1A. Auditors shall have the right while  
15 9 conducting audits or examinations to have full access to all  
15 10 papers, books, records, and documents of any officers or  
15 11 employees and shall have the right, in the presence of the  
15 12 custodian or the custodian's designee, to have full access to  
15 13 the cash drawers and cash in the official custody of the  
15 14 officer or employee and, during business hours, to examine the  
15 15 public accounts of the department or governmental subdivision  
15 16 in any depository which has public funds in its custody  
15 17 pursuant to the law.

15 18 Sec. 27. NEW SECTION. 11.51 SUBPOENAS.

15 19 The auditor of state shall, in all matters pertaining to an  
15 20 authorized audit or examination, have power to issue subpoenas  
15 21 of all kinds, administer oaths and examine witnesses, either  
15 22 orally or in writing, and the expense attending the same,  
15 23 including the expense of taking oral examinations, shall be  
15 24 paid as other expenses of the auditor.

15 25 Sec. 28. NEW SECTION. 11.52 REFUSAL TO TESTIFY.

15 26 In case any witness duly subpoenaed refuses to attend, or  
15 27 refuses to produce documents, books, and papers, or attends  
15 28 and refuses to make oath or affirmation, or, being sworn or  
15 29 affirmed, refuses to testify, the auditor of state or the  
15 30 auditor's designee may apply to the district court, or any  
15 31 judge of said district having jurisdiction thereof, for the  
15 32 enforcement of attendance and answers to questions as provided  
15 33 by law in the matter of taking depositions.

15 34 Sec. 29. NEW SECTION. 11.53 REPORT FILED WITH COUNTY  
15 35 ATTORNEY.

16 1 If an audit or examination discloses any irregularity in  
16 2 the collection or disbursement of public funds, in the  
16 3 abatement of taxes, or other findings the auditor believes  
16 4 represent significant noncompliance, a copy of the report  
16 5 shall be filed with the county attorney, and it shall be the  
16 6 county attorney's duty to cooperate with the state auditor,  
16 7 and, in proper cases, with the attorney general, to secure the  
16 8 correction of the irregularity.

16 9 Sec. 30. NEW SECTION. 11.54 DUTY OF ATTORNEY GENERAL.

16 10 In the event an audit or examination discloses any grounds  
16 11 which would be grounds for removal from office, a copy of the  
16 12 report shall be provided and filed by the auditor of state in  
16 13 the office of the attorney general of the state, who shall  
16 14 thereupon take such action as, in the attorney general's  
16 15 judgment, the facts and circumstances warrant.

16 16 Sec. 31. NEW SECTION. 11.55 STATE AUDITORS.  
16 17 1. The auditor of state shall appoint such number of state  
16 18 auditors as may be necessary to make audits and examinations  
16 19 as required in this chapter. The auditors shall be of  
16 20 recognized skill and integrity and familiar with the system of  
16 21 accounting used in departments or governmental subdivisions  
16 22 and with the laws relating to the affairs of departments or  
16 23 governmental subdivisions. Such auditors shall be subject at  
16 24 all times to the direction of the auditor of state.  
16 25 2. The auditor of state shall appoint such additional  
16 26 assistants to the auditors as may be necessary, who shall be  
16 27 subject to discharge at any time by the auditor of state.  
16 28 3. Any auditor or assistant who is found guilty of  
16 29 falsifying a time and expense voucher or engagement report  
16 30 shall be immediately discharged by the auditor of state and  
16 31 shall not be eligible for reemployment. Such auditor or  
16 32 assistant must thereupon reimburse the auditor of state for  
16 33 all such compensation and expenses so found to have been  
16 34 overpaid and in the event of failure to do so, the auditor of  
16 35 state may collect the same amount from the auditor's surety by  
17 1 suit, if necessary.  
17 2 Sec. 32. Section 123.58, Code 2009, is amended to read as  
17 3 follows:  
17 4 123.58 AUDITING.  
17 5 All provisions of sections 11.6, ~~11.7, 11.10,~~ 11.11, 11.14,  
17 6 11.21, ~~11.41,~~ and ~~11.23~~ 11.55, relating to auditing of  
17 7 financial records of governmental subdivisions which are not  
17 8 inconsistent with this chapter are applicable to the division  
17 9 and its offices, warehouses, and depots.  
17 10 Sec. 33. Section 125.55, Code 2009, is amended to read as  
17 11 follows:  
17 12 125.55 AUDITS.  
17 13 All licensed substance abuse programs are subject to annual  
17 14 audit either by the auditor of state or in lieu of the  
17 15 examination by the auditor of state the substance abuse  
17 16 program may contract with or employ certified public  
17 17 accountants to conduct the audit, in accordance with sections  
17 18 11.6, ~~11.14,~~ and 11.19. The audit format shall be as  
17 19 prescribed by the auditor of state. The certified public  
17 20 accountant shall submit a copy of the audit to the director.  
17 21 A licensed substance abuse program is also subject to special  
17 22 audits as the director requests. The licensed substance abuse  
17 23 program or the department shall pay all expenses incurred by  
17 24 the auditor of state in conducting an audit under this  
17 25 section.  
17 26 Sec. 34. Section 216A.98, Code 2009, is amended to read as  
17 27 follows:  
17 28 216A.98 AUDIT.  
17 29 Each community action agency shall be audited annually but  
17 30 shall not be required to obtain a duplicate audit to meet the  
17 31 requirements of this section. In lieu of an audit by the  
17 32 auditor of state, the community action agency may contract  
17 33 with or employ a certified public accountant to conduct the  
17 34 audit, pursuant to the applicable terms and conditions  
17 35 prescribed by sections 11.6, ~~11.14,~~ and 11.19 and an audit  
18 1 format prescribed by the auditor of state. Copies of each  
18 2 audit shall be furnished to the division within three months  
18 3 following the annual audit.  
18 4 Sec. 35. Section 230A.16, subsection 3, Code 2009, is  
18 5 amended to read as follows:  
18 6 3. Arrange for the financial condition and transactions of  
18 7 the community mental health center to be audited once each  
18 8 year by the auditor of state. However, in lieu of an audit by  
18 9 state accountants, the local governing body of a community  
18 10 mental health center organized under this chapter may contract  
18 11 with or employ certified public accountants to conduct the  
18 12 audit, pursuant to the applicable terms and conditions  
18 13 prescribed by sections 11.6, ~~11.14,~~ and 11.19 and audit format  
18 14 prescribed by the auditor of state. Copies of each audit  
18 15 shall be furnished by the accountant to the administrator of  
18 16 the division of mental health and disability services and the  
18 17 board of supervisors supporting the audited community mental  
18 18 health center.  
18 19 Sec. 36. Section 279.38, unnumbered paragraph 1, Code  
18 20 2009, is amended to read as follows:  
18 21 Boards of directors of school corporations may pay, out of  
18 22 funds available to them, reasonable annual dues to the Iowa  
18 23 association of school boards. The financial condition and  
18 24 transactions of the Iowa association of school boards shall be  
18 25 audited ~~in the same manner as school corporations~~ as provided  
18 26 in section 11.6. In addition, annually the Iowa association

18 27 of school boards shall publish a listing of the school  
18 28 districts and the annual dues paid by each and shall publish  
18 29 an accounting of all moneys expended for expenses incurred by  
18 30 and salaries paid to legislative representatives and lobbyists  
18 31 of the association.

18 32 Sec. 37. Section 331.756, subsection 11, Code 2009, is  
18 33 amended to read as follows:

18 34 11. Cooperate with the auditor of state to secure  
18 35 correction of a financial irregularity as provided in section  
19 1 ~~11.15~~ 11.53.

19 2 Sec. 38. Section 364.5, unnumbered paragraph 2, Code 2009,  
19 3 is amended to read as follows:

19 4 The financial condition and the transactions of the Iowa  
19 5 league of cities shall be audited ~~in the same manner as cities~~  
19 6 as provided in section 11.6.

19 7 Sec. 39. Sections 11.7 through 11.10, 11.12, 11.13, 11.15,  
19 8 11.16, 11.23, 11.25, and 11.27, Code 2009, are repealed.

19 9 EXPLANATION

19 10 This bill makes changes relating to the duties and  
19 11 responsibilities of the auditor of state.

19 12 Code section 11.1 is amended to define examination as a  
19 13 procedure less in scope than an audit but which is directed at  
19 14 reviewing financial activities and compliance with legal  
19 15 requirements. Governmental subdivision is also defined to  
19 16 mean cities, administrative agencies of cities, city  
19 17 hospitals, counties, county hospitals, memorial hospitals,  
19 18 chapter 28E entities, community colleges, area education  
19 19 agencies, and school districts.

19 20 Code section 11.2, concerning annual settlements and  
19 21 audits, is amended to eliminate language referring to  
19 22 settlement between state officers and persons receiving or  
19 23 expending state funds, but the requirement to make an annual  
19 24 audit remains. The Code section is also amended to eliminate  
19 25 the requirement to make a quarterly preliminary audit of the  
19 26 educational institutions of the state and the state fair  
19 27 board. The section is also amended to provide that  
19 28 departments notify the auditor regarding any suspected  
19 29 embezzlement, theft, or other financial irregularities.

19 30 Code section 11.4, concerning reports of audits, is amended  
19 31 to eliminate the requirement that the written reports contain  
19 32 comparisons of prices paid and terms obtained by the various  
19 33 departments for goods and services and the reasons, if any, if  
19 34 they differ.

19 35 Code section 11.5B, concerning the repayment of audit  
20 1 expenses, is amended by providing that the auditor of state  
20 2 shall be reimbursed by the rebuild Iowa office for performing  
20 3 audits or examinations of that office.

20 4 Code section 11.6, concerning the auditing and examination  
20 5 of governmental subdivisions, is amended.

20 6 Code section 11.6(1), concerning what governmental  
20 7 subdivisions are subject to audit, is amended. The bill adds  
20 8 community mental health centers, substance abuse programs, and  
20 9 community action agencies to the list of entities requiring an  
20 10 annual audit.

20 11 Code section 11.6(2), concerning the employment of  
20 12 certified public accountants by a governmental subdivision, is  
20 13 amended to provide that a written request for proposals  
20 14 process be used to employ such accountants.

20 15 Code section 11.6(4) is amended to increase from 50 to 100  
20 16 the number of eligible electors of a governmental subdivision  
20 17 needed to sign a petition for a reaudit of that governmental  
20 18 subdivision.

20 19 Code section 11.6(7), concerning notification of suspected  
20 20 theft or embezzlement, is amended to provide that governmental  
20 21 subdivisions are also required to provide this notice and to  
20 22 provide that the certified public accountant performing the  
20 23 audit and the governmental subdivision also notify the auditor  
20 24 of state if other significant financial irregularities are  
20 25 suspected.

20 26 Code section 11.6(9) is amended to include the Iowa league  
20 27 of cities and the Iowa association of school boards as  
20 28 entities to be audited on an annual basis. Current law  
20 29 provides for an audit of these entities under Code sections  
20 30 364.5 and 279.38 and those sections are amended to reflect  
20 31 placement of this requirement to audit in Code section 11.6.

20 32 Code section 11.6 is amended by adding a new subsection  
20 33 that provides that governmental subdivisions keep records  
20 34 current and in a format to exhibit in the reports the matters  
20 35 required by the auditor of state.

21 1 Code section 11.7, concerning appointment of state  
21 2 auditors, is repealed, but the substance of the Code section

21 3 is transferred to new Code section 11.55.  
21 4 Code section 11.8, concerning assistants to state auditors,  
21 5 is repealed, but the substance of the Code section is  
21 6 transferred to new Code section 11.55.  
21 7 Code section 11.9, concerning certain local government  
21 8 auditors' salaries and expenses, is repealed.  
21 9 Code section 11.10, concerning examinations, is repealed,  
21 10 but the substance of the Code section is transferred to Code  
21 11 section 11.41, subsection 1A.  
21 12 Code section 11.11, concerning scope of audits, is amended  
21 13 to provide that the audit include an opinion about whether a  
21 14 governmental subdivision's financial statements are in  
21 15 conformity with generally accepted accounting principles or  
21 16 with an other comprehensive basis of accounting.  
21 17 Code section 11.12, concerning subpoenas, is repealed, but  
21 18 the substance of the Code section is transferred to new Code  
21 19 section 11.51.  
21 20 Code section 11.13, concerning refusal to testify, is  
21 21 repealed, but the substance of the Code section is transferred  
21 22 to new Code section 11.52.  
21 23 Code section 11.15, concerning reports filed with the  
21 24 county attorney, is repealed, but the substance of the Code  
21 25 section is transferred to new Code section 11.53.  
21 26 Code section 11.16, concerning the duty of the attorney  
21 27 general, is repealed, but the substance of the Code section is  
21 28 transferred to new Code section 11.54.  
21 29 Code section 11.19, concerning the auditor's powers and  
21 30 duties, is amended to eliminate the requirement in this  
21 31 section that reports be open to public inspection and  
21 32 eliminates the criminal penalty for failing to permit  
21 33 inspection of reports that have been filed with the auditor of  
21 34 state. Provisions concerning the forwarding of notice that a  
21 35 report has been filed to the local media are also stricken  
22 1 from this Code section. Code section 11.14 still provides  
22 2 that the report is available for public inspection. The bill  
22 3 also makes corresponding changes to Code sections 125.55,  
22 4 216A.98, and 230A.16, to provide that the public inspection  
22 5 requirements of Code section 11.14 apply to licensed substance  
22 6 abuse programs, community action agencies, and community  
22 7 mental health centers.  
22 8 Code section 11.20, concerning salary payments to auditors,  
22 9 is amended by striking the provision allowing for a prorated  
22 10 amount for vacation and sick leave.  
22 11 Code section 11.21, concerning repayment of auditors, is  
22 12 amended to provide that the provisions of this Code section  
22 13 apply to governmental subdivisions. The provision of this  
22 14 Code section providing for the discharge of auditors who shall  
22 15 be found guilty of falsifying an expense voucher is stricken  
22 16 from this Code section, but the substance of this provision is  
22 17 transferred to new Code section 11.55.  
22 18 Code section 11.23, providing that each school officer  
22 19 install and use a system of uniform blanks and forms, is  
22 20 repealed.  
22 21 Code sections 11.25 and 11.27, concerning the requirement  
22 22 of the auditor to submit a biennial report to the governor and  
22 23 to make individual audit reports, are repealed.  
22 24 Code section 11.32 is amended to strike a reference to the  
22 25 auditor having the authority to employ registered public  
22 26 accountants. The current reference to employing certified  
22 27 public accountants is unchanged by the bill.  
22 28 LSB 1216XD 83  
22 29 ec/sc/14.1